



BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

BOARD OF DIRECTORS
BUDGET AND FINANCE COMMITTEE MEETING

COMMITTEE MEMBERS

CHRIS DALY – CHAIRPERSON
HAROLD BROWN
YORIKO KISHIMOTO
TIM SMITH
GAYLE B. UILKEMA

MICHAEL SHIMANSKY - VICE CHAIRPERSON
SCOTT HAGGERTY
MARK ROSS
PAMELA TORLIATT

WEDNESDAY
SEPTEMBER 24, 2008
9:30 A.M.

FOURTH FLOOR CONFERENCE ROOM
DISTRICT OFFICES

AGENDA

1. **CALL TO ORDER - ROLL CALL**
2. **PUBLIC COMMENT PERIOD** (*Public Comment on Non-Agenda Items Pursuant to Government Code § 54954.3*) Members of the public are afforded the opportunity to speak on any agenda item. All agendas for regular meetings are posted at District headquarters, 939 Ellis Street, San Francisco, CA, at least 72 hours in advance of a regular meeting. At the beginning of the regular meeting agenda, an opportunity is also provided for the public to speak on any subject within the Board's authority. Speakers will be limited to three (3) minutes each.
3. **APPROVAL OF MINUTES OF APRIL 23, 2008**
4. **PRESENTATION OF NEW STATE AUDIT STANDARDS FROM AIR DISTRICT AUDITORS MAZE AND ASSOCIATES**
J. Colbourn/5192
jcolbourn@baaqmd.gov

The Committee will receive a presentation of the new state audit standards from Air District's auditors Maze and Associates.
5. **CONSIDERATION OF RECOMMENDATION FOR AN ADDITIONAL AIR QUALITY PROGRAM MANAGER POSITION**
J. Broadbent/5052
jbroadbent@baaqmd.gov

The Committee will consider recommending Board of Directors' approval for an additional Air Quality Program Manager position in the Administration and Incentives Division.
6. **COMMITTEE MEMBER COMMENTS/OTHER BUSINESS**

Any member of the Board, or its staff, on his or her own initiative or in response to questions posed by the public, may: ask a question for clarification, make a brief announcement or report on his or her own activities, provide a reference to staff regarding factual information, request staff to report back at a subsequent meeting concerning any matter or take action to direct staff to place a matter of business on a future agenda. (Gov't Code § 54954.2).
7. **TIME AND PLACE OF NEXT MEETING – 9:30 A.M. – WEDNESDAY, OCTOBER 22, 2008 – 939 ELLIS STREET, SAN FRANCISCO, CA 94109**
8. **ADJOURNMENT**

CONTACT EXECUTIVE OFFICE - 939 ELLIS STREET SF, CA 94109

(415) 749-5127
FAX: (415) 928-8560
BAAQMD homepage:
www.baaqmd.gov

- To submit written comments on an agenda item in advance of the meeting.
- To request, in advance of the meeting, to be placed on the list to testify on an agenda item.
- To request special accommodations for those persons with disabilities notification to the Clerk's Office should be given at least 3 working days prior to the date of the meeting, so that arrangements can be made accordingly.
- Any writing relating to an open session item on this Agenda that is distributed to all, or a majority of all, members of the body to which this Agenda relates shall be made available at the District's offices at 939 Ellis Street, San Francisco, CA 94109, at the time such writing is made available to all, or a majority of all, members of that body. Such writing(s) may also be posted on the District's website (www.baaqmd.gov) at that time.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
939 ELLIS STREET, SAN FRANCISCO, CALIFORNIA 94109
(415) 771-6000

EXECUTIVE OFFICE:
MONTHLY CALENDAR OF DISTRICT MEETINGS

SEPTEMBER 2008

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Advisory Council Executive Committee Meeting <i>(Meets 2nd Wednesday Every Other Month)</i>	Wednesday	10	9:00 a.m.	Room 716
Advisory Council Regular Meeting <i>(Meets 2nd Wednesday Every Other Month)</i>	Wednesday	10	10:00 a.m.	4 th Floor Conf. Room
Board of Directors Stationary Source Committee Meeting <i>(Meets 3rd Monday Quarterly)</i>	Monday	15	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month) - CANCELLED</i>	Wednesday	17	9:45 a.m.	Board Room
Board of Directors Climate Protection Committee Meeting <i>(Meets 3rd Thursday Every Other Month)</i>	Thursday	18	9:30 a.m.	4 th Floor Conf. Room
Joint Policy Committee	Friday	19	10:00 a.m. – 12:00 p.m.	MTC 101 - 8 th Street Oakland, CA 94607
Board of Directors Legislative Committee <i>(Meets 4th Monday of the Month)</i>	Monday	22	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Budget & Finance Committee <i>(Meets 4th Wednesday of each month)</i>	Wednesday	24	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Mobile Source Committee – <i>(Meets 4th Thursday of each Month)</i>	Thursday	25	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Public Outreach Committee <i>(Meets 1st Thursday every other Month)</i>	Friday	26	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Executive Committee – <i>(At the Call of the Chair)</i>	Monday	29	9:45 a.m.	4 th Floor Conf. Room

OCTOBER 2008

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	1	9:45 a.m.	Board Room
Advisory Council Air Quality Planning Committee <i>(Meets 1st Thursday Even Month)</i>	Thursday	2	9:30 a.m.	4 th Floor Conf. room
Advisory Council Technical Committee <i>(Meets 1st Monday of every even Month)</i>	Monday	6	9:30 a.m.	Board Room
Advisory Council Public Health Committee – <i>(Meets 2nd Wednesday Even Month)</i>	Wednesday	8	1:30 p.m.	Board Room

OCTOBER 2008

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	15	9:45 a.m.	Board Room
Board of Directors Budget & Finance Committee <i>(Meets 4th Wednesday of each month)</i>	Wednesday	22	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Mobile Source Committee <i>– (Meets 4th Thursday of each Month)</i>	Thursday	23	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Legislative Committee <i>(Meets 4th Monday of the Month)</i>	Monday	27	9:30 a.m.	4 th Floor Conf. Room

NOVEMBER 2008

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	5	9:45 a.m.	Board Room
Board of Directors Public Outreach Committee <i>(Meets 1st Thursday every other Month)</i>	Thursday	6	9:30 a.m.	4 th Floor Conf. Room
Advisory Council Executive Committee Meeting <i>(Meets 2nd Wednesday Every Other Month)</i>	Wednesday	12	9:00 a.m.	Room 716
Advisory Council Regular Meeting <i>(Meets 2nd Wednesday Every Other Month)</i>	Wednesday	12	10:00 a.m.	Board Room
Joint Policy Committee	Friday	14	10:00 a.m. – 12:00 p.m.	MTC 101 - 8 th Street Oakland, CA 94607
Board of Directors Regular Meeting <i>(Meets 1st & 3rd Wednesday of each Month)</i>	Wednesday	19	9:45 a.m.	Board Room
Board of Directors Climate Protection Committee Meeting <i>(Meets 3rd Thursday Every Other Month)</i>	Thursday	20	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Legislative Committee <i>(Meets 4th Monday of the Month)</i>	Monday	24	9:30 a.m.	4 th Floor Conf. Room
Board of Directors Budget & Finance Committee <i>(Meets 4th Wednesday of each month)</i>	Wednesday	26	9:30 a.m.	4 th Floor Conf. Room

HL
9/4/08 (4:30 p.m.)
P/Library/Forms/Calendar/Calendar/Moncal

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson Daly and Members
of the Budget and Finance Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: September 11, 2008

Re: Budget and Finance Committee Draft Meeting Minutes


RECOMMENDED ACTION:

Approve attached draft minutes of the Budget and Finance Committee meeting of April 23, 2008.

DISCUSSION

Attached for your review and approval are the draft minutes of the April 23, 2008 Budget and Finance Committee meeting.

Respectfully submitted,



Jack P. Broadbent
Executive Officer/APCO

**Bay Area Air Quality Management District
939 Ellis Street
San Francisco, California 94109
(415) 749-5000**

DRAFT MINUTES

Summary of Board of Directors
Budget & Finance Committee Meeting
9:45 a.m., Wednesday, April 23, 2008

1. **Call to Order:** Chairperson Chris Daly called the meeting to order at 9:47 a.m.

Roll Call: Chairperson, Chris Daly, Harold Brown, Mark Ross, Michael Shimansky, Tim Smith, Gayle B. Uilkema.

Absent: Scott Haggerty, Yoriko Kishimoto, Pamela Torliatt

Also Present: Board Chair Jerry Hill.
2. **Public Comment Period:** There were none.
3. **Approval of Minutes of March 23, 2008:** Director Shimansky moved approval of the minutes; seconded by Director Smith, carried unanimously without objection.
4. **Third Quarter Financial Report for Fiscal Year 2007/2008:** *The Committee received a presentation on the financial report for the third quarter of fiscal year 2007/2008.*

Mr. Jack Colbourn, Administration and Incentives Director introduced Linda Serdahl, Finance Manager provided the Committee with this presentation.

Comparison of Budget to Actual Reserve included:

- County Revenue receipts were \$12,323,382 (62.12%) of budgeted revenue.
- Permit Fee receipts were \$13,801,439 (70.69%) of budgeted revenue.
- Title V Permit Fees were \$1,505,127 (66.25%) of budgeted revenue.
- Asbestos Fees were \$1,330,450 (76.51%) of budgeted revenue.
- Toxic Inventory Fees were \$473,390 (88.48%) of budgeted revenue.
- Penalties and Settlements were \$1,366,482 (60.73%) of budgeted revenue.
- Miscellaneous Revenue receipts were \$53,698 (12.07%) of budgeted revenue.

Comparison of Budget to Actual Expenditures included:

- Salaries and Benefits were \$29,164,621 (73.12%) of budgeted expenditures.
- Operational Services and Supplies were \$7,784,321 (35.60%) of budgeted expenditures.
- Capital Outlay was \$2,068,556 (44.19%) of budgeted expenditures.

Ms. Serdahl continued the presentation stating that the Air District has a healthy fund balance.

Ms. Serdahl concluded her presentation.

Director Shimansky asked about the reduction in county revenue and Ms. Serdahl responded to Director Shimansky stating since the last quarter the Air District has received monies from the counties.

Chairperson Daly inquired about the Air District's ongoing discussion with regard to penalties and settlements. Mr. Broadbent responded to Chairperson Daly stating that with regard to the Community Mitigation Fund that the Air District is in the process of putting a structure in place. The information would be brought back to both the Executive and Budget and Finance Committees at a future date.

Committee Action: The Committee provided direction to staff.

5. Continued Discussion of Proposed Budget for Fiscal 2008/2009: *The Committee received a presentation on the proposed budget for Fiscal Year 2008/2009.*

Mr. Broadbent introduced the draft budget for Fiscal Year 2008/2009. Mr. Broadbent stated that this is a continued discussion from the Committees March 26th meeting.

The key points from the March 26, 2008 Committee meeting included the proposed budget for Fiscal Year ending 2008/2009, the budget process by law requires two Board hearings prior to the adoption of a budget. The meetings are scheduled for May 21, 2008 and June 4, 2008.

- The FYE 2009 budget is balanced with fee increases mirroring the update to the cost recovery study.
- The budget continues to ensure the effectiveness of current programs.
- Current programs are continued and enhanced.
- No FTE increases recommended.

Mr. Broadbent stated another key feature in the budget, is that there is no recommendation for FTE increases. Mr. Broadbent noted that overall, the Air District is approaching the next fiscal year in a modest manner, and has sought to increase staff to address the needs of the Air District and it would be more prudent to have a conservative approach with respect to the budget.

Key programs that the budget supports include:

- Climate Protection
- Community Air Risk Evaluation (CARE)
- Wood Smoke
- Green Ports Initiative

Additional key efforts include:

- \$50K for Health Effects Officer
- Continue to address OPEB \$1.4M annual liability
- \$1.0M for Incentives from Reserves (Pending); this would include the Wood Smoke Incentive program; and Climate Protection program
- \$2.8M for Production System from Reserves (Pending)
- \$2.0M for Building and Facilities (Pending)

Mr. Broadbent requested that the Committee recommend to the Board of Directors adoption of the proposed FYE 2009 budget.

Committee Action: Director Shimansky moved that the Committee recommend to the Board of Directors adoption of the proposed fiscal year ending 2008/2009 to include a line item referencing the \$35 million I-Bond funds; seconded by Director Smith; carried unanimously without objection.

6. **Consideration of Transfer to Designated Reserve for Production System and Authorization to Enter into Contract Agreements:** *The Committee considered recommending to the Board of Directors approval to allow transfer of the second half of funding for the Production System, and to authorize the Executive Officer/APCO to enter into contracts not to exceed \$1,250,000.*

Mr. Broadbent acknowledged that Jeff McKay, Deputy Air Pollution Control Officer would provide the Committee with the presentation.

Mr. McKay continued stating that the Executive Committee received a review of the Production System.

Outline of the presentation included:

- Comparison of Project Plan to Actuals
- Authority to Solicit Bids and Execute Contracts
- Transfer to Designated Reserve

The Production System project began in 2006 and is project to be completed in 2010, with a total budget of \$5.8 million. The first presentation to the Committee was in December 2006, at which time it was indicated to the Committee that the first half of the project would cost \$2.8 million and would be completed in November 2008, which is on track.

Mr. McKay continued requesting the Committee recommend Board of Directors approval to request authorization to spend the \$1.25 million of the remaining \$2.8 million and ask Board approval to transfer from undesignated reserves into designated reserves the \$2.8 million to complete the second half of the project with the originally projected total cost of \$5.6 million.

Mr. McKay concluded his presentation.

Committee Action: Director Uilkema moved that the Committee recommend that the Board of Directors authorize the Executive Officer/APCO to conduct solicitation of bids and execution of contracts not to exceed \$1.25 million, authorizing the transfer from undesignated to designated reserves; seconded by Director Brown; carried unanimously without objection.

7. **Committee Member Comments/Other Business.** Director Smith asked about the proposed budget and the proposed greenhouse gas fees; and if this is included in the proposed budget. Mr. Bunger responded to Director Smith stating that the fee increases that are proposed thus far are figured into the budget and is balanced if the fee increases are approved.
8. **Time and Place of Next Meeting:** 9:30 a.m., Wednesday, May 28, 2008 – 939 Ellis Street, San Francisco, CA 94109
9. **Adjournment:** The meeting adjourned at 10:59 a.m.

Vanessa Johnson
Acting Clerk of the Board

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Daly and Members
of the Budget and Finance Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: September 3, 2008

Re: Auditor's Communications

RECOMMENDED ACTION:

Informational report. Receive and file.

BACKGROUND:

Effective for fiscal year 2007-08, our external financial statement and compliance auditors are now required by Statement on Auditing Standards (SAS) No. 114 to communicate specific communications in writing to those charged with governance.

DISCUSSION:

Katherine Yuen, partner with Maze & Associates Accountancy Corporation will present the following communications:

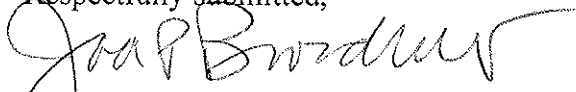
- An overview of the planned scope and timing of the audit.
- Representations the auditor is requesting from management.
- Additional guidance on the forms and timing of communication.
- Evaluation of the adequacy of the two-way communication.
- Requirements to document required communications.

Ms. Yuen will also present the attached Audit Planning Meeting Agenda at the meeting.

BUDGET CONSIDERATION/FINANCIAL IMPACT:

No impact on Fiscal Year 2008/2009 budget.

Respectfully submitted,



Jack P. Broadbent
Executive Officer/APCO

Prepared by: Linda J. Serdahl, CPA, CFE
Reviewed by Jack M. Colbourn

Attachment

ACCOUNTANCY CORPORATION

3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 930-0902 • FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT
AUDIT PLANNING MEETING AGENDA
For The Year Ended June 30, 2008**

New audit standards require us to have meetings with our clients to discuss the audit process including:

- Audit Scope
- Audit Timing
- Management Representations
- Fraud Considerations

Audit Scope

Audit scope generally includes the following subject to adaptation from our risk assessment process:

- Perform risk assessment brainstorming and planning
- Create audit plan tailored to the District and sector
- Transactions cycles subject to control testing and sampling:
 - Revenue/Receivable
 - Disbursements/Accounts Payable
 - Payroll/Accrued liabilities
 - Federal award transactions
- Transactions cycles testing:
 - Controls over cash transactions and accruals
 - Test of transactions
 - Tests of information system application controls
 - Confirmations generally not used as they are ineffective.
 - Accrual tests at year end.
- Transactions and Balances tested in total:
 - Cash & Investments tested via confirmations from the San Mateo Pool and insurance trust.
 - Capital assets tested via corroboration with capital outlay and board authorizations on a test basis and estimate of depreciation
 - Compensated balances via estimation
 - Claim payable via claims loss run and actuarial studies if any

- Evaluate overall duty assignment including:
 - Focused attention to conflict of duties – employees with access to assets and related recorded used to control and account for those assets
 - Tests of mitigating controls
- Information System controls tests:
 - An information system review is performed by our IT specialist
 - Application controls tested via transaction cycle tests
- Perform compliance tests
 - TFCA Program
 - Single Audit Act: Federal regulations applicable to federal awards
 - Certain Government code provisions applicable to cash and investments
 - Local policy compliance, typically:
 - Investment
 - Purchasing
- Financial Statement preparation assistance
 - Staff has requested that we provide assistance the preparation of financial statements and disclosures.
 - We are satisfied staff have the capability to perform this task themselves.
 - Financial statement presentation and disclosures are evaluated and amendment proposed as needed

Audit Timing

We have met with staff and agreed the following schedule:

- Interim fieldwork: Completed in July, 2008
- Final and Single Audit fieldwork: Two weeks starting January 12, 2009
- Report Presentation: February, 2009

Management Representations

We will request representations from management that data and assertions provided are complete and accurate. We rely primarily on our audit verification tests and procedures, however, management assertions and judgments unavoidably affect financial data.

Fraud Considerations: Statement of Audit Standard (SAS) #99, *Consideration of Fraud in a Financial Statement Audit*. This Standard came out of the fall out of Enron/WorldCom and other private sector frauds.

1. "Fraud" is defined as an intentional act that results in a *material misstatement in financial statements* that are subject to audit. In this case, fraud includes two concepts:
 - a. Fraudulent financial reporting:
 - i. Misstatement including misapplication of accounting principals, omission of data or disclosures, fictitious transactions or sham transactions
 - ii. Concealment
 - b. Misappropriations of assets:
 - i. Theft
 - ii. Concealment
 - iii. Conversion
2. SAS #99 requires an inquiry of client
 - a. Client officials to include:
 - i. Budget & Finance Committee
 - ii. Director of Administration and Incentives
 - b. Areas to be discussed:
 - i. Is management aware of known instances of fraud?
 - ii. Are there areas you believe are "Susceptible to Fraud"
 - c. Areas automatically deemed susceptible to fraud:
 - i. Improper revenue recognition
 - ii. Management override of Internal Control
3. SAS #99 also requires that we address our client's "Fraud Risk Assessment and Monitoring Programs" (AKA internal controls plus)
 - a. Prevention techniques
 - b. Deterrence techniques
 - c. Detection techniques

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Memorandum

To: Chairperson Daly and Members
of the Budget & Finance Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: September 5, 2008

Re: Addition of One Air Quality Program Manager Position to Support Increased
Staffing of the Grant Programs

RECOMMENDATION:

Consider recommending to the Board of Directors that one Air Quality Program Manager position be added to the budget for the current Fiscal Year.

BACKGROUND

The Air District's Grant Programs have grown tremendously over the past eighteen months, with a doubling in the amount of funding administered from \$44 million in FY 07-08 to \$87 million in FY 08-09. Accordingly, staff levels have also been increased to handle the administration of the grant programs.

DISCUSSION

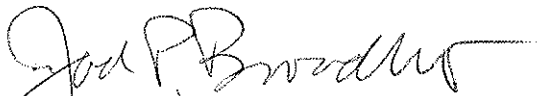
The increased staffing has been significant and sudden, which has in turn necessitated additional supervision. A supervisor position was added a year ago, but there is still a single manager position for a section that now has a staff of 16. A more typical manager to staff ratio is in the range of 8 to 10 positions per manager. In order to avoid problems administering the grant funds correctly, a manager has been reassigned from another division, however, an additional manager position is indicated as a long term alternative. Staff has concluded that this action is a prudent step to provide sufficient oversight and ensure correct administration of the grant funds.

FINANCIAL IMPACT:

The cost of adding an Air Quality Program Manager position would be approximately \$123,116 annually, including salary-driven benefit costs. In the current Fiscal Year, the cost would be approximately half that amount, assuming that the position was filled in January of 2009.

Although this increased cost was not contemplated in the current budget, there is a portion (5%) of the grant funding received by the Air District that can be used to administer the programs, and there is sufficient funding to support the additional position.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Jack P. Broadbent", with a long horizontal flourish extending to the right.

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Michael Rich